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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/079,927	02/19/2002	Colleen George	020375-003300US	6495
20350 7590 03/13/2009 TOWNSEND AND TOWNSEND AND CREW, LLP TWO EMBARCADERO CENTER EIGHTH FLOOR SAN FRANCISCO, CA 94111-3834				
EXAMINER FISCHER, ANDREW J				
ART UNIT		PAPER NUMBER		
3621				
MAIL DATE		DELIVERY MODE		
03/13/2009		PAPER		

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte COLLEEN GEORGE and JOHN CAWTHORNE

Appeal 2008-4634
Application 10/079,927
Technology Center 3600

Decided:¹ March 12, 2009

Before MURRIEL E. CRAWFORD, HUBERT C. LORIN, and DAVID B.
WALKER, *Administrative Patent Judges*.

WALKER, *Administrative Patent Judge*.

DECISION ON APPEAL

¹The two-month time period for filing an appeal or commencing a civil action, as recited in 37 C.F.R. § 1.304, begins to run from the decided date shown on this page of the decision. The time period does not run from the Mail Date (paper delivery) or Notification Date (electronic delivery).

STATEMENT OF THE CASE

The Appellants seek our review of the Examiner's final rejection of claims 1-6, 11-16, 21, and 24-26 under 35 USC § 134 (2002). We have jurisdiction under 35 U.S.C. § 6(b) (2002). We affirm-in-part.

The Appellants claim a method and system for operating loyalty programs in connection with consumer transactions (Specification 1:6-8). Claim 1, reproduced below, is representative of the subject matter on appeal.

1. A method for operating a loyalty program integrated with a financial infrastructure, the method comprising:

receiving, at a loyalty host system, a transaction instruction initiated by a customer at a merchant point-of-sale device disposed at a merchant point of sale;

determining, with the loyalty host system, whether the customer and merchant are participants in the loyalty program;

executing, with the loyalty host system, a loyalty process in accordance with the loyalty program if the customer and merchant are participants, wherein the loyalty process includes augmenting a stored point total for the customer by an augmentation amount in accordance with the application of administration criteria to the transaction instruction;

transmitting, with the loyalty host system, the transaction instruction to the financial

infrastructure with a request for approval of the transaction instruction;

receiving, with the loyalty host system, a denial of the transaction instruction from the financial infrastructure;

backing out of the loyalty process, with the loyalty host system, by decrementing the stored point total for the customer by the augmentation amount after receiving the denial of the transaction instruction; and

transmitting, with the loyalty host system, the denial of the transaction instruction to the merchant point-of-sale device.

THE REJECTION²

The Examiner relies upon the following as evidence in support of the rejection:

Chien US2001/0054003 A1 Dec. 20, 2001

Claims 1, 4, 6-14, 19, and 21-30 stand rejected under 35 U.S.C. § 102(e) as anticipated by Chien.

² The Examiner withdrew rejections under 35 U.S.C. § 112, first and second paragraph, and stated that the sole remaining rejection is under 102(e) in the Answer (Answer 2).

ISSUES

The Appellants argue that Chien does not teach or suggest decrementing the stored point total by a previously applied augmentation amount “after receiving the denial of the transaction instruction.” The Examiner found that Chien teaches that if the purchase amount is greater than the available amount, a denial may be returned to the authorization system, and the system updates the loyalty host and points are decremented prior to completing a transaction in case of a denial. Have the Appellants shown that the Examiner erred in finding that Chien teaches decrementing the stored point total by a previously applied augmentation amount “after receiving the denial of the transaction instruction”?

The Appellants further argue that Chien does not teach or suggest loyalty points earned at one merchant are available for application by the customer at a second merchant “substantially immediately”. The Examiner found that Chien teaches that earning points and using them almost immediately thereafter is well known in the art. Have the Appellants shown that the Examiner erred in finding that Chien teaches loyalty points earned at one merchant are available for application by the customer at a second merchant “substantially immediately”?

FINDINGS OF FACT

We find the following enumerated findings to be supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422,

1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

1. Chien relates to a method and system for spending loyalty points from a participant's loyalty account by converting the loyalty points to a currency credit and posting the credit to a second account, where the second account is generally a financial transaction account, such as a charge card, that is used to facilitate a transaction (Chien, [0002]).
2. Chien teaches:

The '870 and '412 patents both relate to an online, interactive frequency and award redemption program which immediately awards and issues bonus points to a user's awards account in response to that user's online purchase of merchandise. In other words, submission of a purchase order form during an online session results in the calculation and addition of points to an enrolled user's account as well as the display of current account information. The user is then immediately permitted to redeem any or all of the award points in the user's account, including currently awarded points, in that same online session. This system is specifically directed to expediting the award and redemption of points for product. Therefore, this invention is limited to redeeming points within a redemption network of merchants who accept points.

(Chien, [0005]).

3. The participant can choose to pay entirely with loyalty points, partially with loyalty points and partially with a transaction card, such as a credit card, or with a gift certificate (Chien, [0015]).
4. The loyalty system middleware is generally configured to interface with a card authorization system (CAS) which can be any form of an account authorization system or network, to validate a transaction request (i.e., to determine if the transaction card number is valid and if sufficient credit is available in the financial transaction account). If the transaction card is valid and sufficient credit is available, the loyalty system middleware interfaces with the loyalty program to calculate the appropriate number of loyalty points necessary to pay for the transaction. Although one embodiment contemplates updating the participant's loyalty account after the transaction has cleared, this updating can be done at any point in the process. Moreover, any portion of the process may utilize real-time or batch processing (Chien, [0052]).
5. Chien also discloses methods for accommodating a participant charge back or merchandise return in the loyalty system. For example, when a participant desires to return a product that was purchased with loyalty points to a merchant, the merchant processes the return the same as with any other transaction card purchase by posting a credit to the participant's transaction account. Alternatively, the return may be recognized as involving a purchase made with loyalty points and may

- invoke the loyalty system middleware to convert the currency credit back into loyalty points and to apply a credit to the participant's loyalty point account. Similarly, during a dispute handling process, when a participant requests a charge back, a charge back can be executed by the loyalty system middleware via a credit to the transaction account or an adjustment to the loyalty account (Chien, [0065]). Either a return or a charge-back would result in an adjustment that would increase or increment the participant's loyalty point balance.
6. Chien teaches that the transaction phase can occur over any computerized network via any suitable user interface system (e.g., internet, phone, wireless, POS terminal, etc) (Chien, [0013]).

PRINCIPLES OF LAW

“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 827 (1987).

“To establish inherency, the extrinsic evidence must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of

circumstances is not sufficient.” *In re Robertson*, 169 F.3d 743, 745 (Fed. Cir. 1999) (citations omitted) (internal quotation marks omitted).

ANALYSIS

With respect to independent claims 1 and 19, the Appellants argue that Chien does not teach or suggest decrementing the stored point total by a previously applied augmentation amount “after receiving the denial of the transaction instruction” (Br. 8). The Examiner found that Chien teaches that if the purchase amount is greater than the available amount, a denial may be returned to the authorization system (Answer 9, citing Chien, [0052]). The Examiner further cites Chien for disclosing that (1) at any point during the transaction and even after the transaction, a loyalty credit can be applied to perform the appropriate conversion and to adjust the participant’s loyalty account accordingly (Chien, [0065]); and (2) if a charge-back does occur, the transaction account can be credited or the amount of loyalty points in the loyalty account can be adjusted (Chien, [0065]). The Examiner further found that Chien teaches that the system updates the loyalty host and points are decremented prior to completing a transaction in case of a denial (Answer 10).

The Appellants argue that not only does updating or adjusting the participant’s loyalty account fail to necessarily teach decrementing the stored point total, paragraphs 0064 and 0065 of Chien in fact refer to crediting, or incrementing the participant’s loyalty account (Reply Br. 2).

According to the Appellants, paragraph 0065 discloses examples of updates due to “a participant charge-back request and merchandise return,” and argues that in each of the examples, the participant’s loyalty account is incremented rather than decremented (Reply Br. 2). The Appellants acknowledge that the Examiner’s Answer does state a situation in which “the participant’s loyalty account will be reduced by the appropriate amount,” but the situation is “[i]f the transaction card is valid and sufficient credit is available” rather than a denial of the transaction instruction (Reply Br. 3). The Appellants argue that Chien fails to teach, either expressly or inherently, “decrementing the stored point total for the customer by the augmentation amount after receiving the denial of the transaction instruction” (emphasis added), and Claims 1 and 19 and their dependent claims should be allowed.” (Br. 3).

We agree with the Appellants. The transaction claimed in independent claims 1 and 19, is a purchase transaction through which a participant in a loyalty program earns loyalty points. The claimed system requires augmenting the stored loyalty point total before requesting approval for the transaction from the financial infrastructure. If the financial system denies the transaction, claim 1 and 19 require “backing out of the loyalty process by decrementing the stored point total by the augmentation amount after receiving the denial of the transaction instruction.” This is the limitation the Appellants argue to be missing from Chien.

Chien teaches the use of loyalty points to partially or completely pay for a purchase (Finding of Fact 3). The passages of Chien cited by the Examiner describe the redemption process wherein the loyalty system middleware converts the currency value for a purchase to a corresponding number of loyalty points necessary to be redeemed to partially or completely pay for the transaction (Finding of Fact 4). The Examiner cites examples in Chien of a return or a charge back, but neither of the cited examples teaches backing out of the loyalty process by decrementing the stored point total by the augmentation amount from a points-earning transaction after receiving the denial of the transaction instruction for that points-earning transaction. The Appellants thus have shown that the Examiner erred in rejecting claims 1 and 19, and claims 4 and 21, which depend therefrom, as anticipated by Chien.

The Appellants argue independent claims 6, 22, and 25 as a group. We treat claim 6 as representative. Claims 7-14, 23-24, and 26-30, which depend from one of claims 6, 22, and 25, are not argued separately, and will be treated as standing or falling with claim 6 as well. With respect to independent claims 6, 22, and 25, the Appellants argue that Chien does not teach or suggest loyalty points earned at one merchant are available for application by the customer at a second merchant “substantially immediately” (Br. 8). The Examiner found that Chien teaches that any portion of the loyalty process may utilize real-time processing, wherein as points are earned, they will be available in real-time for using with other

merchants and that earning points and using them almost immediately thereafter is well known in the art (Answer 10, citing Chien, [0052] & [0005]). The Appellants' argument is not persuasive, because the background of Chien does disclose two prior art patents, which

both relate to an online, interactive frequency and award redemption program which immediately awards and issues bonus points to a user's awards account in response to that user's online purchase of merchandise. In other words, submission of a purchase order form during an online session results in the calculation and addition of points to an enrolled user's account as well as the display of current account information. The user is then immediately permitted to redeem any or all of the award points in the user's account, including currently awarded points, in that same online session.

(Finding of Fact 2). Chien thus teaches that loyalty points may be earned and used almost immediately thereafter.

In the Reply Brief, the Appellants argue that the elements of Chien are not arranged as in the claims, because the '870 and '412 patents noted by the Examiner's Answer are both related to an online program that responds to a user's "online purchase of merchandise" (Chien, ¶ 0005, ll. 1 - 5) rather than a transaction at a "point-of-sale device." According to the Appellants, it is true that Chien does mention a "POS terminal" (id., ¶ 0013, l. 3), but the POS terminal is used when a participant uses loyalty points (id., ¶ 0011, l. 9) in which loyalty points "will be reduced" (id., ¶ 0052, l. 18, emphasis added)

rather than augmenting a point total. This argument is not persuasive. As the Appellants note, a different portion of Chien discloses that the claimed system can be used with a POS terminal (Finding of Fact 6).

The Appellants have not shown that the Examiner erred in rejecting claim 6 as anticipated by Chien. Claims 7-14 and 22-30 were not argued separately, and fall with claim 6. *See* 37 C.F.R. § 41.37(c)(1)(vii). *See also In re Young*, 927 F.2d 588, 590 (Fed. Cir. 1991).

CONCLUSIONS

We conclude that the Appellants have shown that the Examiner erred in finding that Chien teaches decrementing the stored point total by a previously applied augmentation amount “after receiving the denial of the transaction instruction.” We conclude that the Appellants have not shown that the Examiner erred in finding that Chien teaches loyalty points earned at one merchant are available for application by the customer at a second merchant “substantially immediately.”

DECISION

The decision of the Examiner to reject claims 1, 4, 19, and 21 under 35 U.S.C. § 102(e) as anticipated by Chien is reversed. The decision of the Examiner to reject claims 6-14 and 22-30 under 35 U.S.C. § 102(e) as anticipated by Chien is affirmed.

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No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED-IN-PART

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